

SUMMARY ANALYSIS OF AMENDED BILL

Author: Jeffries/Runner Analyst: John Pavalasky Bill Number: AB 2781
 Related Bills: See Prior Analysis Telephone: 845-4335 Amended Date: August 19, 2008
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Allow Charitable Organization To Make Payments To Certain Individuals Injured Or Killed In An Effort To Protect Life Or Property

- ☒ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as amended August 11, 2008.
- ☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- AMENDMENTS DID NOT RESOLVE THE DEPARTMENTS CONCERNS stated in the previous analysis of bill as introduced/amended _____.
- ☒ FURTHER AMENDMENTS NECESSARY.
- DEPARTMENT POSITION CHANGED TO _____.
- REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED
- ☒ August 11, 2008, STILL APPLIES.
- ☒ OTHER – See comments below.

SUMMARY

This bill would, on an ongoing basis, permit certain exempt organizations to collect and disburse charitable contributions for certain individuals, who are injured or killed in an effort to protect life or property, and their families.

SUMMARY OF AMENDMENTS

The August 19, 2008, amendments resolved the implementation concern and all but two of the technical considerations raised in the department's analysis of the bill as amended August 11, 2008. Additionally, the August 19, 2008, amendments provide a sunset date of January 1, 2012. The EFFECTIVE/OPERATIVE DATE, THIS BILL, and FISCAL IMPACT discussions have been revised due to these amendments and a new revenue estimate is provided. The remainder of the previous analysis of this bill as amended August 11, 2008, still applies. The remaining technical amendments still apply and are restated below for convenience.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Legislative Director

Date

Brian Putler

8/21/08

EFFECTIVE/OPERATIVE DATE

This bill is a tax levy and would specifically be operative for contributions received after the date of enactment but only for taxable years for which substantially similar provisions apply for federal income tax purposes. This bill ceases to be operative and would be repealed as of January 1, 2012.

POSITION

Pending.

THIS BILL

This bill would, for taxable years for which substantially similar provisions apply for federal income tax purposes, permit certain tax-exempt charitable organizations to collect charitable contributions and disburse those funds, as specified, to the following:

- Individuals injured or killed while protecting life or property while on duty as a federal, state or local government employee, or as a member of a qualified volunteer emergency response organization (called “eligible individuals”) or
- Family members of eligible individuals

without losing the organization’s tax-exempt status. This bill would cease to be operative and would be repealed as of January 1, 2012.

TECHNICAL CONSIDERATIONS

On page 3, line 12, and on page 5, line 14, strikeout “paragraph” and insert “subparagraph”

FISCAL IMPACT

The bill would not significantly impact the department’s costs.

Revenue Estimate

Based on data and assumptions discussed below, the Personal Income Tax and Corporation Tax revenue impact from this bill would be as follows:

Estimated Revenue Impact of AB 2781 as Amended August 19, 2008 Enactment Assumed After June 30, 2008			
	2008-09	2009-10	2010-11
Tax Exemption	0	0	0

This estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this bill.

Revenue Discussion

This bill targets a charity that would otherwise lose its California tax-exempt status as a result of the dispersal of funds to private individuals. The August 19, 2008, amendments state that this provision would only go into effect if a similar federal law is operative. They also repeal this provision January 1, 2012, whether or not a similar federal law is operative.

There is no revenue impact to this bill under current law, because a similar federal law does not exist. However, if federal legislation is enacted, there could be an annual revenue loss of less than \$150,000 for 2008-09 through 2011-12.

This loss is determined by the amount of contributions to a specified charitable fund, and the subsequent claim of charitable contribution in the taxable year following the contribution. In 2006, five firefighters were killed in the line of duty. Thousands of citizens donated approximately \$1 million.

For a similar donation amount, the revenue loss would be \$60,000 annually ($\$1,000,000 \times 6\%$ marginal tax rate = \$60,000) beginning with the taxable year the itemized deduction is claimed on the tax return. The loss would be attributable to itemized deductions claimed for the contributions in the taxable year following the contributions.

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